

Executive Summary

of Investment Performance

**Prepared for
California Public Employees'
Retirement System**

Fourth Quarter 2005

Capital Market Overview

- ◆ In the fourth quarter of 2005, the US economy showed remarkable resiliency after the multiple hurricanes, as the Gross Domestic Product and unemployment data indicated only small lingering effects of the devastation on the Gulf Coast Region. The Federal Reserve Board continued its inflation-fighting operations, raising the Fed Funds overnight rate to 4.25% in two 25 basis-point increases. Consumer prices fell during the fourth quarter due to a pullback in crude oil prices. The US stock market was in positive territory with the Dow Jones Wilshire 5000 Index and the S&P 500 Index returning 2.2% and 2.1%, respectively, as investors witnessed record earnings by oil companies, a dramatic decline in crude oil prices, wide swings in the US trade deficit, and the prospects of a more growth-oriented Fed under incoming chairman Ben Bernanke. The Materials Sector, helped by continued construction spending, was the top performing sector with a return of 8.3%, while the Energy Sector, hindered by the pull-back in oil prices, was the worst-performer returning -6.8%. Growth stocks outperformed versus value stocks across the markets, as Large Growth outperformed Large Value (Wilshire Large Growth, 3.1%; Wilshire Large Value, 1.6%) and Small Growth outperformed Small Value (Wilshire Small Growth, 2.5%; Wilshire Small Value, 0.9%). From a size standpoint, large outperformed versus small stocks while micro cap stocks lagged (DJ Wilshire Large Cap 750, 2.3%; DJ Wilshire Small Cap 1750, 1.7%; Wilshire Micro Cap, 0.6%).
- ◆ Non-US equity markets continued to produce higher returns than the US equity markets as the MSCI ACWI ex-US returned 4.4% in USD and 6.9% in local currency. The Pacific region outperformed Europe (MSCI Pacific 8.6% in USD; MSCI Pacific 12.6% in local currency; MSCI Europe 2.0% in USD; MSCI Europe 4.6% in local currency), as crude oil prices fell and dampened the performance of major European companies like Royal Dutch Shell and British Petroleum. The emerging markets continued to outperform the developed markets as the MSCI EMF Index returned 7.2% in USD and 7.0% in local currency versus the MSCI EAFE Index return of 4.1% in USD and 7.1% in local currency.
- ◆ For the seventh consecutive quarter, the Federal Reserve continued its policy of raising the discount rate to keep inflation in check, and yields increased throughout all maturity ranges of the US Treasury yield curve. The Lehman Aggregate Bond Index rose during the quarter, returning 0.6%. Among the Lehman sectors, the Mortgage sector slightly outperformed the Credit sector, returning 0.6% and 0.5%, respectively, for the quarter. The possibility of an inverted yield curve (short-maturity yields higher than long-term yields) looms large for investors heading into 2006. In a typical reaction to this interest-rate environment, short-term bonds underperformed longer-term issuance for the quarter (Lehman 1-3 Year Treasury, 0.70%; Lehman Long Treasury, 1.07%). High yield bonds produced similar results to their counterparts as the Citigroup High Yield Cash Pay Index reported a 0.6% return. The international bond markets lagged the U.S. bond market as the Citigroup Non-US Government Bond Index generated a return of -2.6% during the quarter, as the major currencies depreciated versus the USD.
- ◆ The public real estate securities market, as represented by the Dow Jones Wilshire Real Estate Securities Index ("DJWRESI"), continued its upward track and posted a return of 3.0% for the quarter. The one year return is a robust 13.9%. The NCREIF Property Index reported a return of 4.4% for the quarter, reflecting the fact that the index is measured on an appraised basis.



Summary of Index Returns

For Periods Ended December 31, 2005

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Domestic Equity					
Standard & Poor's 500	2.09%	4.89%	14.39%	0.54%	9.08%
Dow Jones Wilshire 5000	2.21	6.38	16.35	2.10	9.15
Dow Jones Wilshire 4500	2.70	10.03	23.18	6.86	9.79
Wilshire Large Cap 750	2.30	5.54	14.80	0.76	8.94
Wilshire Small Cap 1750	2.37	7.89	23.70	8.37	10.56
Wilshire Micro Cap 2500	0.54	2.76	32.30	21.33	16.44
Domestic Equity					
Wilshire Large Value	1.60%	7.54%	16.15%	4.80%	10.29%
Wilshire Large Growth	3.12	8.70	14.36	-2.73	7.62
Wilshire Mid Value	1.00	7.34	18.82	10.04	13.61
Wilshire Mid Growth	4.07	18.55	25.78	5.42	8.23
Wilshire Small Value	0.85	7.13	22.75	13.74	13.73
Wilshire Small Growth	2.50	11.44	25.41	5.33	7.14
International Equity					
MSCI All World ex U.S.	4.39%	17.11%	26.19%	6.66%	6.70%
MSCI EAFE	4.08	13.53	23.68	4.55	5.83
MSCI Europe	1.95	9.42	22.37	3.68	9.38
MSCI Pacific	8.60	22.64	26.42	6.45	1.11
MSCI EMF Index	7.20	34.54	38.35	19.43	6.99
Domestic Fixed Income					
Lehman Aggregate Bond	0.59%	2.43%	3.62%	5.87%	6.16%
Lehman Credit	0.49	1.95	4.94	7.11	6.46
Lehman Mortgage	0.60	2.62	3.45	5.44	6.17
Lehman Treasury	0.73	2.78	2.86	5.36	5.93
Citigroup High Yield Cash Pay	0.37	2.07	13.42	9.17	6.94
91-Day Treasury Bill	0.91	3.06	1.84	2.34	3.85
International Fixed Income					
Citigroup World Gov. Bond	-1.92%	-6.87%	5.71%	6.93%	5.00%
Citigroup Non-U.S. Gov. Bond	-2.61	-9.21	6.46	7.26	4.41
Citigroup Hedged Non-U.S. Gov.	0.87	5.69	4.24	5.13	7.19
Currency*					
Euro vs. \$	-2.16%	-13.22%	3.98%	4.67%	-.%
Yen vs. \$	-3.97	-13.18	0.18	-0.66	-1.34
Pound vs. \$	-2.96	-10.58	2.17	2.82	1.01
Real Estate					
Dow Jones Wilshire REIT Index	2.52%	13.82%	27.32%	19.15%	15.36%
Dow Jones Wilshire RESI	3.02	13.82	28.13	18.99	15.12
NCREIF Property Index	5.43	20.06	14.42	11.40	12.09

*Positive values indicate dollar depreciation.



Total Fund Review Periods Ended 12/31/05

	Market Value \$200.9 bil.	<u>Qtr</u> 2.8%	<u>1 Year</u> 10.6%	<u>3 Year</u> 15.6%	<u>5 Year</u> 5.5%	<u>10 Year</u> 9.1%
TOTAL FUND						
<i>Total Fund Policy Index</i> ¹		2.5%	8.9%	14.2%	4.9%	8.4%
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	8.0%	8.1%
<i>TUCS Public Fund Median</i>		2.3%	7.6%	13.8%	5.2%	8.6%
<i>Wilshire Large Fund Universe Median</i> ²		3.0%	9.9%	15.0%	5.6%	9.2%
TOTAL GLOBAL EQUITY EX-AIM ³	126.1	3.2%	10.4%	19.6%	3.7%	9.3%
<i>Equity Policy Index</i> ⁴		3.2%	10.2%	17.9%	2.5%	8.3%
<i>TUCS Equity Median</i> ⁵		2.2%	7.4%	18.0%	3.2%	10.4%
TOTAL FIXED INCOME ⁶	49.2	1.0%	2.8%	7.3%	7.8%	7.0%
<i>Fixed Income Policy Index</i> ⁷		0.3%	2.1%	5.3%	7.2%	6.6%
<i>TUCS Fixed Income Median</i>		0.7%	2.8%	4.4%	6.3%	6.5%
TOTAL REAL ESTATE ⁸	9.3	3.3%	39.3%	22.1%	15.7%	14.4%
<i>NCREIF Property Index Lagged</i>		4.4%	19.2%	13.0%	11.0%	11.6%
<i>TUCS Real Estate Median</i>		3.9%	17.5%	14.9%	11.5%	12.5%
AIM PROGRAM	10.1	5.5%	22.9%	13.9%	1.8%	-.%
<i>Policy Index</i> ⁹		5.5%	18.0%	9.6%	-1.3%	-.%
CASH EQUIVALENTS	6.3	1.2%	3.4%	2.1%	2.6%	4.3%
<i>Custom STIF</i> ¹⁰		0.4%	2.5%	1.6%	2.2%	3.9%

¹The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

²These returns represent preliminary numbers.

³Includes domestic equity, international equity, corporate governance, and ventures.

⁴The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

⁵Includes domestic and international equity.

⁶The Total Fixed Income Composite does not include LM Capital. LM Capital will be mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

⁷The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁸Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁹The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.

¹⁰The Custom STIF Policy Index is a custom index maintained by SSgA.



Total Fund Review (continued)

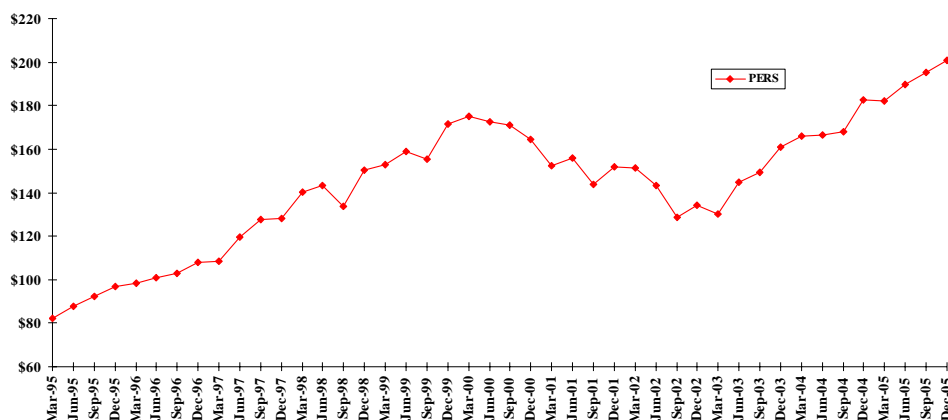
Periods Ended 12/31/05

Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
4Q2005	195,507	-525	-262	6,160	200,880	2.8%

Historical Growth of Assets

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>3Q05</u>	<u>4Q05</u>
Market Value (\$bil)	108.1	128.3	150.5	171.7	164.6	151.8	134.1	161.1	182.9	195.5	200.9



Asset Allocation

Asset Allocation: Actual versus Target Weights

<u>Asset Class</u>	<u>Actual Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Difference</u>
Equities	62.5%	60.0%	+2.5%
Fixed Income	24.6	26.0	-1.4
Real Estate	4.6	8.0	-3.4
AIM	5.1	6.0	-0.9
Cash Equivalents	3.1	0.0	+3.1

CalPERS Historical Asset Allocation

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>3Q05</u>	<u>4Q05</u>
% Equity	62	66	69	70	64	63	62	68	68	69	68
% Fixed Income	31	28	26	24	29	27	28	24	24	26	25
% Real Estate	6	5	4	5	6	9	9	7	6	5	5
% Cash Equiv.	1	1	1	1	1	1	1	1	1	1	1



California Public Employees' Retirement System
Total Fund Attribution
Total Composite
Quarter Ended 12/31/05

Composite	Allocation			Returns			Total Fund Return Contribution			
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Actual Allocation (%)	Active Mgmt (%)	Strategic Policy (%)	Weighted Return (%)
Total Equity	60.0	64.4	4.4	2.3	3.3	1.0	0.0	0.6	1.4	2.2
U.S. Equity	40.0	38.8	-1.2	2.3	2.4	0.1	0.0	0.0	0.9	0.8
Internal Managers^	32.8	32.8	0.0	2.4	2.4	0.0	0.0	0.0	0.8	0.7
U.S. Mainstream Managers^	1.9	1.9	0.0	1.9	2.3	0.4	0.0	0.0	0.0	0.0
U.S. Enhanced Index^	3.0	3.0	0.0	2.0	2.4	0.4	0.0	0.0	0.1	0.1
U.S. Mgr. Development^	1.0	1.0	0.0	1.9	1.9	0.0	0.0	0.0	0.0	0.0
RM ARS Program	0.5	0.8	0.3	2.1	1.2	-0.9	0.0	0.0	0.0	0.0
Corporate Governance	1.4	1.8	0.4	7.1	5.9	-1.2	0.0	0.0	0.1	0.1
U.S. Corp. Governance^	0.9	0.9	0.0	2.1	1.9	-0.2	0.0	0.0	0.0	0.0
Int'l Corp. Governance^	1.0	1.0	0.0	11.2	7.8	-3.4	0.0	0.0	0.1	0.1
Non-U.S. Equity	20.0	22.9	2.9	4.4	5.0	0.6	0.1	0.1	0.9	1.0
Int'l Mainstream Managers^	4.0	4.0	0.0	4.4	4.4	0.0	0.0	0.0	0.2	0.2
Int'l Mgr. Development^	0.4	0.4	0.0	4.1	2.7	-1.4	0.0	0.0	0.0	0.0
Int'l Emerging Markets^	2.3	2.3	0.0	8.5	6.4	-2.1	0.0	0.0	0.2	0.1
Passive Int'l^	16.1	16.1	0.0	3.9	3.9	0.0	0.0	0.0	0.6	0.6
Currency Overlay^	0.0	0.0	0.0	-11.0	7.1	18.1	0.0	0.0	0.0	0.0
Total Fixed Income	26.0	25.6	-0.4	0.3	1.0	0.7	0.0	0.2	0.1	0.2
U.S. Fixed Income	23.0	22.8	-0.2	0.7	1.4	0.7	0.0	0.2	0.2	0.3
Internal U.S. Bonds^	20.9	20.9	0.0	0.7	1.4	0.7	0.0	0.1	0.1	0.3
Special Investments^	0.8	0.8	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0
Opportunistic^	1.1	1.1	0.0	1.0	5.3	4.3	0.0	0.0	0.0	0.1
Non-U.S. Fixed Income	3.0	2.8	-0.2	-2.4	-2.5	-0.1	0.0	0.0	-0.1	-0.1
Real Estate	8.0	4.8	-3.2	4.4	3.3	-1.1	-0.1	-0.1	0.4	0.1
AIM Program	6.0	4.8	-1.2	5.5	5.5	0.0	0.0	0.0	0.3	0.2
Cash Equivalents	0.0	0.4	0.4	0.4	1.2	0.8	0.0	0.0	0.0	0.0
Total Fund	100.0	100.0	0.0	2.5	2.8	0.3	-0.1	0.4	2.5	2.8

^ There are no existing policy weights for these investments programs. Therefore, the policy percentages are equal to the actual percentages. The total of the policy percentages may not sum to the asset class policy percentage.



Total Fund Review (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of +2.8%, for the quarter ended December 31, 2005. CalPERS' return can be attributed as follows:
 - +2.5% Strategic Policy Allocation
 - 0.0% Actual/Tactical Asset Allocation
 - +0.3% Active Management
 - +2.8% Total Return**
- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The total fund composite outperformed its strategic policy mainly due to its active management in the U.S. Fixed Income and the Non U.S. equity segments. The Corporate Governance composite and the AIM composite, returning 5.9% and 5.5%, respectively, were the best performing segments over the quarter. The System beat the weighted policy index return of 2.5% for the quarter, and it has also outpaced its actuarial rate of return over the one-year, three-year, and ten-year periods.
- ◆ CalPERS has made a significant effort to develop internal strategies and talent to add value to the System's investment portfolio. Many of these strategies have proven successful. However, several segments that have outperformed their respective benchmarks have added little value to the overall performance of the System due to their relatively small weights.



Total Fund Review (continued)

Helped Performance:

- ◆ **International Equity Exposure:** The System's international equity program generated a return of 5.0% for the quarter, outpacing the FTSE All World ex-US Index's 4.4% as well as the total fund policy's 2.5%. Continued economic recovery in Asia, especially Japan, contributed to the relative performance of the segment over its domestic counterpart. Exposure to the emerging markets also propelled returns. The international equity program continues to add value over all periods.
- ◆ **Real Estate:** The System's real estate segment, with a return of 3.3%, exceeded the total fund policy's return of 2.5%, although it trailed the NCREIF Property Lagged Index return of 4.4%. The composite benefited from its exposure to non-core real estate investments, which helped boost performance. The Total fund composite continues to benefit from its exposure to real estate over all time periods.
- ◆ **U.S. Bond Exposure:** Bond markets saw very little gain as yields rose during the quarter. Among the Lehman sectors, treasury yielded the highest return (Lehman Treasury, 0.7%), followed by mortgage (Lehman Mortgage, 0.6%). The Lehman Long Liability Index returns 0.7% for the quarter and the Lehman Long Liability High Yield returned 1.0%. CalPERS' domestic fixed income asset class beat the total fund policy and its policy index as high yield exposure aided performance.
- ◆ **Corporate Governance:** The System's corporate governance program lagged its custom benchmark but beat the total fund policy, as some of the program's managers generated respectable returns over the quarter. The corporate governance segment continues to produce favorable contributions to the total fund performance since its inception.
- ◆ **AIM Program:** The alternative investment program continues to contribute favorably to the total fund composite return over the quarter and for all longer periods.

Impeded Performance:

- ◆ **U.S. Equity Exposure:** The System's U.S. equity asset class produced a positive return for the quarter and beat its policy index but underperformed the total fund policy, as the U.S. equity market lagged most other capital markets during the quarter.
- ◆ **International Fixed Income:** The international bond market continued to be negatively affected by the appreciation of Dollar against major currencies and the rising of U.S. yields. The overall market produced negative results, as the Citigroup Non-US Government Bond Index returned -2.6% during the quarter. The international bond portfolio hurt CalPERS' total fund performance; it was the only asset class that produced a loss during the quarter.
- ◆ **RM ARS Program:** The RM ARS Program underperformed the total fund policy and its custom benchmark, detracting value from the overall fund's performance. It also underperformed the US equity segment, which was its funding source.



Total Equity Review

Periods Ended 12/31/05

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	40.2%	40.0%	+0.2 %
Non US Equities	22.3	20.0	+2.3

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Global Equity ex-AIM^{11*}	126.1	3.2%	10.4%	19.6%	3.7%	9.3%
<i>Equity Policy Index¹²</i>		3.2%	10.2%	17.9%	2.5%	8.3%
<i>Value Added</i>		0.0%	0.2%	1.7%	1.2%	1.0%
US Equity Composite	77.2	2.4%	6.3%	15.9%	1.8%	9.3%
<i>PERS Wilshire 2500 Index</i>		2.3%	6.1%	15.7%	1.5%	9.0%
<i>Value Added</i>		0.1%	0.2%	0.2%	0.3%	0.3%
Non-US Equity Composite	42.8	5.0%	18.7%	24.3%	5.2%	7.4%
<i>PERS SSgA Custom Index¹³</i>		4.4%	16.4%	25.7%	6.3%	5.7%
<i>Value Added</i>		0.6%	2.3%	-1.4%	-1.1%	1.7%
RM ARS Program	2.0	1.2%	9.3%	10.4%	-.-%	-.-%
<i>Policy Index¹⁴</i>		2.1%	7.4%	11.1%	-.-%	-.-%
<i>Value Added</i>		-0.9%	1.9%	-0.7%	-.-%	-.-%
Corporate Governance	3.8	5.9%	21.9%	28.9%	14.3%	-.-%
<i>Policy Index¹⁵</i>		7.1%	17.7%	22.3%	5.4%	-.-%
<i>Value Added</i>		-1.2%	4.2%	6.6%	8.9%	-.-%

¹¹ Includes domestic equity, international equity, corporate governance, and ventures.

¹² The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

¹³ The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹⁴ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

¹⁵ The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

* Composites may not add up exactly due to rounding.



Total Equity Review (continued)

Comments Regarding Recent Equity Segment Performance

Helped Performance:

- ◆ **International Equity Exposure:** The System's international equity managers added value to the overall performance for the quarter. The segment outperformed the total equity policy this quarter and has added value since inception.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers continue to outperform the developed managers. The emerging markets segment outpaced the total equity policy index over the quarter and for all longer periods.
- ◆ **Corporate Governance:** The corporate governance program benefited from the outperformance of several managers versus the equity policy index. Strong gains from Taiyo and Relational contributed to the program's solid performance.
- ◆ **Internal International Equity Index:** The System's internally managed international equity index outperformed the equity policy index over the quarter, adding value to the overall equity composite, and met its specific portfolio objective.
- ◆ **Currency Overlay:** The System's currency overlay program added significant value to the overall equities return over the quarter, one-year, and three-year time periods, hedging out currency risks in the face of a strengthening Dollar.

Impeded Performance:

- ◆ **Internal PERS 2500:** The System's internal PERS 2500 index fund produced a positive return but lagged relative to the equity policy index. However, the fund's performance matched that of its custom benchmark, consistent with its objective.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio had a positive return but lagged the equity policy return for the quarter and has underperformed over the one-year, three-year, and five-year periods.
- ◆ **Domestic Equity MDP:** The System's domestic MDP program lagged the total equity policy as well as the domestic equity policy index this quarter. The program has trailed the total equity policy since the inception.
- ◆ **International Equity MDP:** The international equity MDP program underperformed the total equity policy this quarter, though it has added value over longer periods.
- ◆ **RM ARS Program:** The System's RM ARS program produced positive a return for the quarter but has trailed the equity policy index.
- ◆ **Domestic Internal Micro-Cap Exposure:** The internal micro-cap portfolio underperformed the equity policy index over the quarter and detracted value from the overall equity composite. The portfolio also lagged the equity policy over the one-year period. However, the portfolio slightly exceeded its specific objective over the last quarter and year.



Total Equity Review - U.S. Equity Manager Performance*

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
US Equity Composite*	77.2	2.4%	6.3%	15.9%	1.8%	12.9%	12/79
PERS Wilshire 2500 Index		2.3%	6.1%	15.7%	1.5%		
Value Added		0.1%	0.2%	0.2%	0.3%		
Total Internal Equity*	65.6	2.4%	6.3%	15.6%	1.8%	11.4%	6/88
Internal PERS 2500	54.8	2.4%	6.4%	15.8%	1.8%	10.5%	12/91
PERS Wilshire 2500		2.3%	6.1%	15.7%	1.5%	10.3%	
Tracking Error		0.1%	0.3%	0.1%	0.3%	0.2%	
Dynamic Completion Fund (DCF)	7.8	2.5%	5.5%	12.6%	0.6%	4.7%	9/98
Custom Benchmark		2.7%	5.8%	12.6%	0.1%	4.0%	
Tracking Error		-0.2%	-0.3%	0.0%	0.5%	0.7%	
Domestic Enhanced Index Strategy	2.2	3.5%	9.6%	19.4%	-.-%	6.4%	3/01
PERS Wilshire 2500		2.3%	6.1%	15.7%	-.-%		
Value Added		1.2%	3.5%	3.7%	-.-%		
Internal Microcap	0.7	0.6%	4.0%	-.-%	-.-%	15.3%	9/03
Custom Benchmark		0.4%	3.7%	-.-%	-.-%	17.4%	
Tracking Error		0.2%	0.3%	-.-%	-.-%	-2.1%	
Total External Domestic Equity	11.5	2.3%	5.9%	17.0%	2.1%	11.0%	6/87
Total Active External Mainstream	3.6	2.6%	5.7%	16.5%	0.5%	4.3%	6/98
Total Domestic Ext. Enhanced	6.0	2.4%	6.2%	-.-%	-.-%	12.6%	9/04
Custom Benchmark		2.0%	5.4%	-.-%	-.-%	12.0%	
Value Added		0.4%	0.8%	-.-%	-.-%	0.6%	
Total Domestic Equity MDP	1.9	1.9%	7.0%	17.0%	3.1%	3.1%	12/00
Total Domestic Equity MDP Ventures	0.0	-1.8%	84.3%	41.6%	-.-%	22.9%	3/01
Domestic Equity Active Manager Program ¹⁶							
Active External Managers + Enh + DCF	17.4	2.5%	5.6%	14.9%	0.5%	3.8%	6/98
PERS Wilshire 2500		2.3%	6.1%	15.7%	1.5%	3.2%	
Value Added of Active Mgr Program		0.2%	-0.5%	-0.8%	-1.0%	0.6%	

* Composites may not add up exactly due to rounding.

¹⁶ This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.



Total Equity Review - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Non-US Equity Composite*	42.8	5.0%	18.7%	24.3%	5.2%	6.9%	6/89
<i>PERS SSgA Custom Index ¹⁷</i>		4.4%	16.4%	25.7%	6.3%	6.0%	
<i>Value Added</i>		0.6%	2.3%	-1.4%	-1.1%	0.9%	
External Active							
Int'l Active Mainstream	8.0	4.4%	17.3%	23.8%	4.9%	7.1%	6/89
<i>CalPERS FTSE All World Ex-US</i>		4.4%	16.4%	25.7%	6.3%	12.0%	
Int'l Emerging Markets	4.7	6.4%	34.4%	41.5%	-.-%	41.8%	9/02
<i>CalPERS FTSE All Emerging Index</i>		8.5%	33.6%	37.4%	-.-%	38.2%	
Total Int'l MDP	0.5	2.7%	11.0%	19.9%	3.5%	1.2%	6/00
Internal International Equity Index	13.3	3.9%	-.-%	-.-%	-.-%	15.0%	6/05
<i>Custom Benchmark</i>		3.9%	-.-%	-.-%	-.-%	14.9%	
<i>Tracking Error</i>		0.0%	-.-%	-.-%	-.-%	0.1%	
State Street Passive (Hedged)	13.5	5.0%	18.6%	23.3%	4.6%	8.6%	6/92
<i>State Street Passive (Unhedged)</i>		3.9%	14.4%	24.5%	5.5%	5.8%	6/89
<i>Custom Benchmark</i>		3.9%	14.2%	24.3%	5.3%	6.7%	
<i>Tracking Error</i>		0.0%	0.2%	0.2%	0.2%	-0.9%	
Currency Overlay ¹⁸							
Pareto Partners	5.2	6.4%	24.3%	21.4%	3.1%	9.2%	6/92
<i>Custom Benchmark</i>		-11.0%	7.5%	10.8%	-3.4%	7.1%	
<i>Value Added</i>		17.4%	16.8%	10.6%	6.5%	2.1%	
State Street London	2.2	6.9%	24.5%	20.1%	2.8%	8.0%	9/96
<i>Custom Benchmark</i>		-11.0%	7.5%	10.8%	-3.4%	5.1%	
<i>Value Added</i>		17.9%	17.0%	9.3%	6.2%	2.9%	
Internal Currency Overlay	3.0	7.1%	29.4%	20.4%	-.-%	8.5%	9/01
<i>Custom Benchmark</i>		-11.0%	7.5%	10.8%	-.-%	2.2%	
<i>Value Added</i>		18.1%	21.9%	9.6%	-.-%	6.3%	

¹⁷ The PERS SSgA Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹⁸ The currency overlay portfolios' values are included in the State Street (Hedged) portfolio value.

* Composite may not add up exactly due to rounding.

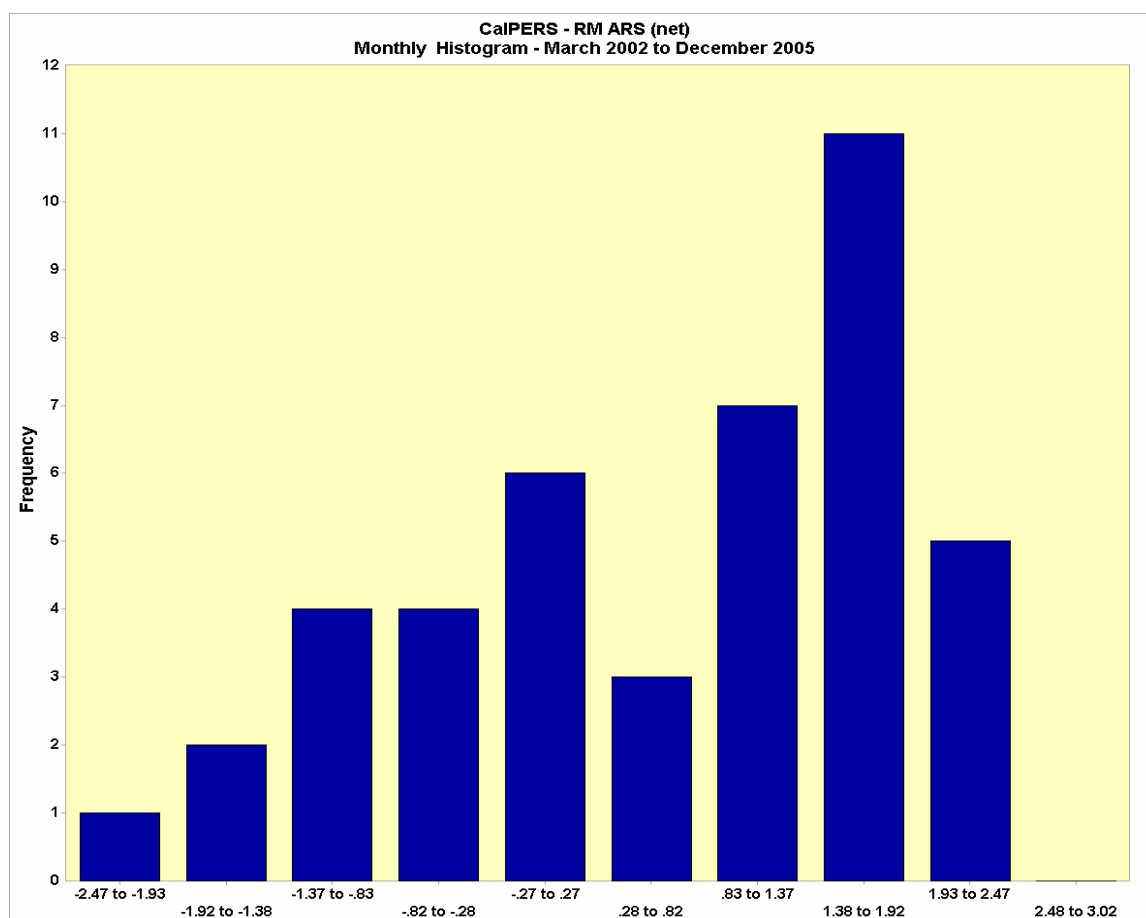


RM ARS Program Review
Period Ended 12/31/05

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total RM ARS Program*	2.0	1.2%	9.3%	10.4%	-.-%
<i>Policy Index</i> ¹⁹		2.1%	7.4%	11.1%	-.-%
<i>Value Added</i>		-0.9%	1.9%	-0.7%	-.-%
HFRI Fund of Funds Index		2.2%	7.5%	8.6%	-.-%
CalPERS Hedge Fund Partners	0.7	1.6%	11.0%	11.2%	-.-%
CalPERS Hedge Fund UBS	1.1	1.4%	8.1%	-.-%	-.-%
KBC Asian Fund of Funds	0.1	-.-%	-.-%	-.-%	-.-%
Vision Asian Fund of Funds	0.1	-.-%	-.-%	-.-%	-.-%

RM ARS Program Characteristics
Period Ended 12/31/05

	<u>Since Inception Rolling Correlations vs. Index</u>					
<u>Characteristics as of 12/31/05</u>	<u>Beta vs. S&P 500</u>	<u>No. of Strategies</u>	<u>DJ W5000²⁰</u>	<u>PERS 2500²⁰</u>	<u>Custom Benchmark²⁰</u>	<u>FTSE AW X US²⁰</u>
RM ARS Program	0.15	8	0.49	0.48	-0.08	0.51



¹⁹ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

²⁰ DJ W5000 = Dow Jones Wilshire 5000 Index, PERS 2500 = CalPERS 2500 Index, Custom Benchmark = weighted average benchmark using actual portfolio weights, FTSE AW X US = FTSE All World, Ex-United States Index.

* Composite may not add up exactly due to rounding.



RM ARS Program Review

- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.15 which implies a weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a high correlation, and shows the benefits of diversification.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. At this time, we believe that the distribution of monthly returns is as expected, given the youthfulness of the program, but is positively skewed, which is favorable.

Corporate Governance Review

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Corporate Governance	3.8	5.9%	21.9%	28.9%	14.3%	17.0%	12/98
<i>Policy Index</i>		7.1%	17.7%	22.3%	5.4%	5.6%	
<i>Value Added</i>		-1.2%	4.2%	6.6%	8.9%	11.4%	
Total Domestic Corporate Governance	1.6	1.9%	12.0%	22.6%	15.0%	22.4%	12/98
Total Int'l Corporate Governance	2.2	9.0%	29.5%	34.3%	13.1%	11.8%	12/98

- ◆ The System's total corporate governance program trailed its objective over the quarter, but it outperformed the total equity policy and added value to the total fund performance. The program benefited from its international exposure, especially to the Japan region, where SPARX and Taiyo funds produced favorable returns (14.5% and 19.3%, respectively), which drove overall performance.



Total Fixed Income Review

Periods Ended 12/31/05

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	21.9%	23.0%	-1.1%
Non US Fixed Income	2.7	3.0	-0.3

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	49.2	1.0%	2.8%	7.3%	7.8%	7.0%
Fixed Income Policy Index ²¹		0.3%	2.1%	5.3%	7.2%	6.6%
Value Added		0.7%	0.7%	2.0%	0.6%	0.5%
U.S. Fixed Income	43.8	1.4%	4.4%	7.1%	7.7%	7.3%
Policy Index ²²		0.7%	3.7%	5.1%	7.2%	6.9%
Value Added		0.7%	0.7%	2.0%	0.5%	0.4%
Non-U.S. Fixed Income	5.4	-2.5%	-8.5%	7.2%	7.5%	5.0%
Policy Index ²³		-2.4%	-8.9%	6.6%	7.3%	4.5%
Value Added		-0.1%	0.4%	0.6%	0.1%	0.6%

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- ◆ **Internal High Yield Bonds:** CalPERS' internal high yield portfolio significantly outperformed the fixed income policy index over the quarter, through rewarded credit selection. The portfolio has also outperformed over all longer time periods.
- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, outperformed the total fixed income policy over the quarter, and over longer time periods.
- ◆ **Treasury Bonds:** Treasury bonds outperformed the fixed income policy index for the quarter, as the Fed raised interest rates. The portfolio also trailed the fixed income policy over the 3 and 5-year periods.
- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio performed well in the overall fixed income segment, beating the fixed income policy index. The portfolio however, continues to trail the policy over longer periods.

²¹ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

²² The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

²³ The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.



- ◆ **External High Yield Bonds:** The external high yield bond managers matched the fixed income policy index during the quarter. The segment however, has added value over the long term.
- ◆ **Special Investments:** The special investments beat the fixed income policy index over the quarter and the one-year periods but still trails in the 3-year, 5-year and 10-year periods.

Impeded Performance:

- ◆ **International Fixed Income:** The System's international bond segment, which is non-Dollar denominated, underperformed versus the total fixed income policy for the quarter due to rising yields in the US bond market and the appreciation of Dollar. The segment though, has outperformed its objective over all longer periods.

Fixed Income Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income*	49.2	1.0%	2.8%	7.3%	7.8%	7.0%
Fixed Income Policy Index ²⁴		0.3%	2.1%	5.3%	7.2%	6.6%
Value Added		0.7%	0.7%	2.0%	0.6%	0.5%
Total Internal Bonds	40.8	1.4%	4.1%	6.7%	7.5%	7.2%
Treasury Bonds	8.2	0.8%	4.8%	4.7%	7.2%	7.2%
Mortgage Bonds	12.5	0.6%	3.0%	4.0%	5.8%	6.5%
High Yield Bonds	1.0	8.7%	21.0%	29.2%	18.5%	-.%
Sovereign Bonds	0.8	1.4%	6.4%	7.7%	10.4%	-.%
Duration/SEC Allocation	2.1	-.%	-.%	-.%	-.%	-.%
Custom Benchmark**		0.7%	3.7%	5.1%	7.2%	6.9%
Opportunistic ²⁵	2.4	5.3%	17.6%	27.2%	13.1%	-.%
External High Yield	1.4	0.3%	4.5%	14.3%	-.%	-.%
Citigroup High Yield Cash Pay		0.4%	2.1%	13.4%	-.%	-.%
Special Investments	1.6	0.4%	3.5%	4.6%	6.2%	5.9%
External International Fixed Income	5.4	-2.5%	-8.5%	7.2%	7.5%	5.0%
Custom Benchmark ²⁶		-2.4%	-8.9%	6.6%	7.3%	4.5%
Value Added		-0.1%	0.4%	0.6%	0.1%	0.6%

²⁴ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

²⁵ Opportunistic includes internal and external high yield.

²⁶ The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

* Composite may not add up exactly due to rounding.

** The custom benchmark consists of the Lehman Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.



Total Real Estate Review Period Ended 12/31/05

Real Estate Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	4.6%	8.0%	-3.4%

Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Real Estate ²⁷	9.3	3.3%	39.3%	22.1%	15.7%	14.4%
<i>NCREIF Property Index Lagged</i> ²⁸		4.4%	19.2%	13.0%	11.0%	11.6%
<i>TUCS Real Estate Median</i>		3.9%	17.5%	14.9%	11.5%	12.5%
Total Core Real Estate	5.0	2.2%	41.6%	21.5%	15.9%	14.9%
Core Real Estate Private	4.9	2.2%	42.0%	21.3%	15.7%	14.3%
Core Real Estate Securities	0.1	2.3%	17.2%	28.4%	19.5%	-.-%
Total Non-Core Real Estate	4.2	4.6%	27.5%	22.0%	13.3%	13.4%

- ◆ CalPERS' real estate composite produced a return of 3.3% during the quarter, trailing the lagged NCREIF Property Index return of 4.4% and the TUCS real estate median return of 3.9%. Over the long term, however, the composite still added value and outperformed both the NCREIF and the TUCS real estate median by a wide margin.

²⁷ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

²⁸ The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.



AIM Program Review Period Ended 12/31/05

AIM Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	5.1%	6.0%	-0.9%

AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
AIM Program	10.1	5.5%	22.9%	13.9%	1.8%	-.-%
<i>Policy Index</i> ²⁹		5.5%	18.0%	9.6%	-1.3%	-.-%
<i>Value Added</i>		0.0%	4.9%	4.3%	3.1%	-.-%
<i>Long-Term Policy</i>						14.0%
AIM Partnership Investments	10.0	5.7%	23.3%	13.9%	2.0%	12.5%
AIM Distribution Stock	0.1	-14.8%	-7.2%	16.6%	-8.1%	-.-%

- ◆ The AIM program matched its objective over the quarter and has outperformed for all longer periods.

²⁹ The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.



APPENDIX



External Manager Performance Review Domestic Equity - Core

Active External Mainstream Mgrs	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	3.6	2.6%	5.7%	16.5%	0.5%	4.3%	6/98
Domestic External Core							
Smith Asset Large Cap (MDP)	0.2	4.4%	14.1%	-.%	-.%	13.8%	12/03
<i>Custom Benchmark</i>		2.1%	4.9%	-.%	-.%	7.8%	
<i>Value Added</i>		2.3%	9.2%	-.%	-.%	5.9%	
<i>Performance Objective</i>		2.6%	6.9%	-.%	-.%	9.8%	
<i>Value Added</i>		1.8%	7.2%	-.%	-.%	3.9%	
Golden Capital - Large Core (MDP)	0.1	1.8%	6.6%	15.5%	2.4%	2.4%	12/00
<i>Custom Benchmark</i>		2.1%	4.9%	14.4%	0.5%	0.5%	
<i>Value Added</i>		-0.3%	1.7%	1.1%	1.9%	1.9%	
<i>Performance Objective</i>		2.3%	5.9%	15.4%	1.5%	1.5%	
<i>Value Added</i>		-0.5%	0.7%	0.1%	0.9%	0.9%	
Golden Capital - Small Core (MDP)	0.1	0.6%	7.7%	22.0%	11.1%	11.1%	12/00
<i>Custom Benchmark</i>		0.4%	7.7%	22.4%	10.8%	10.8%	
<i>Value Added</i>		0.2%	0.1%	-0.4%	0.3%	0.3%	
<i>Performance Objective</i>		0.6%	8.7%	23.4%	11.8%	11.8%	
<i>Value Added</i>		0.0%	-0.9%	-1.4%	-0.7%	-0.7%	



External Manager Performance Review (continued)

Domestic Equity – Growth

Active External Mgrs	Market Value 3.6	Qtr 2.6%	1 Year 5.7%	3 Year 16.5%	5 Year 0.5%	Incept. 4.3%	Date 6/98
Domestic External Growth							
Smith Graham (MDP)	0.2	2.2%	7.0%	12.3%	-.-%	12.5%	9/02
<i>Custom Benchmark</i>		3.0%	5.3%	14.5%	-.-%	16.1%	
<i>Value Added</i>		-0.8%	1.7%	-2.2%	-.-%	-3.6%	
<i>Performance Objective</i>		3.4%	6.8%	16.0%	-.-%	17.6%	
<i>Value Added</i>		-1.2%	0.2%	-3.7%	-.-%	-5.1%	
Geewax Terker	0.5	2.6%	5.1%	12.5%	-3.2%	-0.8%	6/98
<i>Custom Benchmark</i>		3.0%	4.6%	12.1%	-3.3%	-0.5%	
<i>Value Added</i>		-0.4%	0.5%	0.5%	0.1%	-0.2%	
<i>Performance Objective</i>		3.3%	5.8%	13.3%	-2.0%	0.7%	
<i>Value Added</i>		-0.8%	-0.7%	-0.8%	-1.1%	-1.5%	
Stux (MDP)	0.2	2.0%	7.3%	-.-%	-.-%	8.1%	3/04
<i>Custom Benchmark</i>		2.1%	6.3%	-.-%	-.-%	8.9%	
<i>Value Added</i>		-0.2%	1.0%	-.-%	-.-%	-0.8%	
<i>Performance Objective</i>		2.5%	7.8%	-.-%	-.-%	10.4%	
<i>Value Added</i>		-0.5%	-0.5%	-.-%	-.-%	-2.3%	
Franklin Advisers	0.6	1.7%	0.7%	12.3%	-.-%	14.5%	9/02
<i>Custom Benchmark</i>		2.5%	5.8%	15.2%	-.-%	16.8%	
<i>Value Added</i>		-0.8%	-5.1%	-2.9%	-.-%	-2.2%	
<i>Performance Objective</i>		2.8%	7.1%	16.5%	-.-%	18.0%	
<i>Value Added</i>		-1.1%	-6.4%	-4.2%	-.-%	-3.5%	
Rigel - Large Growth (MDP)	0.2	4.7%	12.0%	-.-%	-.-%	12.1%	12/03
<i>Custom Benchmark</i>		3.0%	5.3%	-.-%	-.-%	5.8%	
<i>Value Added</i>		1.8%	6.8%	-.-%	-.-%	6.3%	
<i>Performance Objective</i>		3.5%	7.3%	-.-%	-.-%	7.8%	
<i>Value Added</i>		1.3%	4.8%	-.-%	-.-%	4.3%	
Rigel - Small Mid Growth (MDP)	0.1	-1.4%	2.7%	-.-%	-.-%	9.5%	12/03
<i>Custom Benchmark</i>		2.7%	8.2%	-.-%	-.-%	11.3%	
<i>Value Added</i>		-4.1%	-5.5%	-.-%	-.-%	-1.9%	
<i>Performance Objective</i>		3.3%	10.7%	-.-%	-.-%	13.8%	
<i>Value Added</i>		-4.7%	-8.0%	-.-%	-.-%	-4.4%	



External Manager Performance Review (continued)

Domestic Equity – Value

Active External Mainstream Mgrs	Market Value 3.6	Qtr 2.6%	1 Year 5.7%	3 Year 16.5%	5 Year 0.5%	Incept. 4.3%	Date 6/98
Domestic External Value							
JP Morgan	0.6	2.1%	7.7%	18.3%	4.3%	4.5%	9/00
<i>Custom Benchmark</i>		1.6%	7.9%	18.3%	5.2%	5.2%	
<i>Value Added</i>		0.5%	-0.2%	0.0%	-0.9%	-0.7%	
<i>Performance Objective</i>		1.9%	9.2%	19.5%	6.4%	6.4%	
<i>Value Added</i>		0.1%	-1.5%	-1.2%	-2.2%	-1.9%	
Denali Advisors (MDP)	0.1	0.0%	11.4%	19.3%	-.%	5.7%	6/01
<i>Custom Benchmark</i>		1.6%	7.9%	18.3%	-.%	6.2%	
<i>Value Added</i>		-1.6%	3.4%	1.0%	-.%	-0.5%	
<i>Performance Objective</i>		2.1%	9.9%	20.3%	-.%	8.2%	
<i>Value Added</i>		-2.1%	1.4%	-1.0%	-.%	-2.5%	
Golden Capital - Large Value (MDP)	0.2	1.1%	6.0%	16.2%	5.2%	5.2%	12/00
<i>Custom Benchmark</i>		2.1%	4.9%	14.4%	0.5%	0.5%	
<i>Value Added</i>		-1.0%	1.2%	1.8%	4.7%	4.7%	
<i>Performance Objective</i>		2.6%	6.9%	16.4%	2.5%	2.5%	
<i>Value Added</i>		-1.5%	-0.9%	-0.2%	2.7%	2.7%	
Philippe U.S. Equity (MDP)	0.1	1.6%	1.3%	-.%	-.%	7.2%	9/04
<i>Custom Benchmark</i>		2.1%	6.3%	-.%	-.%	13.1%	
<i>Value Added</i>		-0.6%	-5.0%	-.%	-.%	-5.9%	
<i>Performance Objective</i>		2.4%	7.5%	-.%	-.%	14.4%	
<i>Value Added</i>		-0.9%	-6.3%	-.%	-.%	-7.2%	
Alliance Bernstein	0.7	1.8%	10.2%	18.9%	8.8%	12.0%	9/04
<i>Custom Benchmark</i>		1.6%	7.9%	19.7%	6.8%	7.2%	
<i>Value Added</i>		0.3%	2.2%	-0.8%	2.1%	4.8%	
<i>Performance Objective</i>		1.9%	9.2%	20.9%	8.0%	8.4%	
<i>Value Added</i>		0.0%	1.0%	-2.0%	0.8%	3.6%	
The Boston Company	0.6	3.2%	9.6%	23.1%	7.2%	7.9%	6/98
<i>Custom Benchmark</i>		1.8%	7.4%	19.1%	6.1%	6.8%	
<i>Value Added</i>		1.5%	2.3%	4.0%	1.2%	1.1%	
<i>Performance Objective</i>		2.1%	8.6%	20.3%	7.3%	8.1%	
<i>Value Added</i>		1.2%	1.0%	2.8%	-0.1%	-0.2%	



External Manager Performance Review (continued)

Domestic Equity – Value cont'd

Active External Mainstream Mgrs	Market Value 3.6	Qtr 2.6%	1 Year 5.7%	3 Year 16.5%	5 Year 0.5%	Incept. 4.3%	Date 6/98
Domestic External Value cont'd							
Pzena	0.7	3.9%	8.0%	22.6%	14.7%	18.1%	9/00
<i>Custom Benchmark</i>		1.5%	8.0%	22.4%	10.0%	11.2%	
<i>Value Added</i>		2.5%	0.0%	0.1%	4.7%	6.9%	
<i>Performance Objective</i>		1.8%	9.2%	23.7%	11.3%	12.4%	
<i>Value Added</i>		2.2%	-1.2%	-1.1%	3.5%	5.7%	
Shenandoah (MDP)	0.1	1.4%	9.1%	21.7%	-.-%	10.2%	3/01
<i>Custom Benchmark</i>		3.3%	12.6%	21.1%	-.-%	11.7%	
<i>Value Added</i>		-1.9%	-3.5%	0.6%	-.-%	-1.5%	
<i>Performance Objective</i>		3.8%	14.6%	23.1%	-.-%	13.7%	
<i>Value Added</i>		-2.4%	-5.5%	-1.4%	-.-%	-3.5%	
Smith Asset Small Cap (MDP)	0.1	2.2%	9.3%	-.-%	-.-%	15.7%	12/03
<i>Custom Benchmark</i>		1.1%	4.6%	-.-%	-.-%	11.2%	
<i>Value Added</i>		1.1%	4.7%	-.-%	-.-%	4.4%	
<i>Performance Objective</i>		1.8%	7.1%	-.-%	-.-%	13.7%	
<i>Value Added</i>		0.5%	2.2%	-.-%	-.-%	1.9%	
Timeless (MDP)	0.2	2.2%	0.6%	17.3%	-.-%	18.8%	9/02
<i>Custom Benchmark</i>		1.1%	4.6%	22.1%	-.-%	22.5%	
<i>Value Added</i>		1.1%	-3.9%	-4.9%	-.-%	-3.7%	
<i>Performance Objective</i>		1.8%	7.1%	24.6%	-.-%	25.0%	
<i>Value Added</i>		0.4%	-6.4%	-7.4%	-.-%	-6.2%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced

Total Domestic Ext. Enhanced	Market Value 6.0	Qtr 2.4%	1 Year 6.2%	3 Year -.-%	5 Year -.-%	Incept. 12.6%	Date 9/04
Atlantic Asset Management	0.3	2.0%	4.1%	-.-%	-.-%	4.1%	12/04
<i>Custom Benchmark</i>		2.1%	4.9%	-.-%	-.-%	4.9%	
<i>Value Added</i>		-0.1%	-0.8%	-.-%	-.-%	-0.8%	
<i>Performance Objective</i>		2.3%	5.9%	-.-%	-.-%	5.9%	
<i>Value Added</i>		-0.4%	-1.8%	-.-%	-.-%	-1.8%	
Barclays Global Investors	1.0	3.4%	-.-%	-.-%	-.-%	3.4%	6/05
<i>Custom Benchmark</i>		2.1%	-.-%	-.-%	-.-%	2.1%	
<i>Value Added</i>		1.3%	-.-%	-.-%	-.-%	1.3%	
<i>Performance Objective</i>		2.4%	-.-%	-.-%	-.-%	2.4%	
<i>Value Added</i>		1.0%	-.-%	-.-%	-.-%	1.0%	
Franklin Portfolio Associates	0.9	2.9%	6.1%	-.-%	-.-%	12.8%	9/04
<i>Custom Benchmark</i>		2.1%	5.9%	-.-%	-.-%	12.6%	
<i>Value Added</i>		0.8%	0.1%	-.-%	-.-%	0.2%	
<i>Performance Objective</i>		2.4%	6.9%	-.-%	-.-%	13.6%	
<i>Value Added</i>		0.6%	-0.9%	-.-%	-.-%	-0.8%	
Goldman Sachs Enhanced	0.4	0.8%	-.-%	-.-%	-.-%	10.2%	3/05
<i>Custom Benchmark</i>		1.2%	-.-%	-.-%	-.-%	10.3%	
<i>Value Added</i>		-0.3%	-.-%	-.-%	-.-%	0.0%	
<i>Performance Objective</i>		1.6%	-.-%	-.-%	-.-%	11.6%	
<i>Value Added</i>		-0.8%	-.-%	-.-%	-.-%	-1.4%	
INTECH	1.2	2.3%	8.2%	-.-%	-.-%	14.7%	9/04
<i>Custom Benchmark</i>		2.1%	5.9%	-.-%	-.-%	12.6%	
<i>Value Added</i>		0.2%	2.3%	-.-%	-.-%	2.1%	
<i>Performance Objective</i>		2.4%	6.9%	-.-%	-.-%	13.6%	
<i>Value Added</i>		-0.1%	1.3%	-.-%	-.-%	1.1%	
Quantitative Management Associates	0.9	2.0%	5.8%	-.-%	-.-%	12.2%	9/04
<i>Custom Benchmark</i>		2.1%	4.6%	-.-%	-.-%	11.0%	
<i>Value Added</i>		-0.1%	1.2%	-.-%	-.-%	1.2%	
<i>Performance Objective</i>		2.3%	5.6%	-.-%	-.-%	12.0%	
<i>Value Added</i>		-0.3%	0.2%	-.-%	-.-%	0.2%	
Smith Breeden	0.6	2.0%	4.6%	-.-%	-.-%	4.6%	12/04
<i>Custom Benchmark</i>		2.1%	4.9%	-.-%	-.-%	4.9%	
<i>Value Added</i>		0.0%	-0.3%	-.-%	-.-%	-0.3%	
<i>Performance Objective</i>		2.3%	5.9%	-.-%	-.-%	5.9%	
<i>Value Added</i>		-0.3%	-1.3%	-.-%	-.-%	-1.3%	
WAMCO	0.6	2.0%	4.8%	-.-%	-.-%	11.5%	9/04
<i>Custom Benchmark</i>		2.1%	4.9%	-.-%	-.-%	11.5%	
<i>Value Added</i>		-0.1%	-0.1%	-.-%	-.-%	0.0%	
<i>Performance Objective</i>		2.3%	5.9%	-.-%	-.-%	12.5%	
<i>Value Added</i>		-0.3%	-1.1%	-.-%	-.-%	-1.0%	



External Manager Performance Review (continued)

Domestic Equity – MDP ³⁰

	<u>Market</u> <u>Value</u> 1.9	<u>Qtr</u> 1.9%	<u>1 Year</u> 7.0%	<u>3 Year</u> 17.0%	<u>5 Year</u> 3.1%	<u>Incept.</u> 3.1%	<u>Date</u> 12/00
Total Domestic MDP							
Total Domestic MDP Ventures	0.0	-1.8%	84.3%	41.6%	-.-%	22.9%	3/01
Golden Capital - Large Core (MDP)	0.1	1.8%	6.6%	15.5%	2.4%	2.4%	12/00
<i>Custom Benchmark</i>		2.1%	4.9%	14.4%	0.5%	0.5%	
<i>Value Added</i>		-0.3%	1.7%	1.1%	1.9%	1.9%	
<i>Performance Objective</i>		2.3%	5.9%	15.4%	1.5%	1.5%	
<i>Value Added</i>		-0.5%	0.7%	0.1%	0.9%	0.9%	
Golden Capital - Small Core (MDP)	0.1	0.6%	7.7%	22.0%	11.1%	11.1%	12/00
<i>Custom Benchmark</i>		0.4%	7.7%	22.4%	10.8%	10.8%	
<i>Value Added</i>		0.2%	0.1%	-0.4%	0.3%	0.3%	
<i>Performance Objective</i>		0.6%	8.7%	23.4%	11.8%	11.8%	
<i>Value Added</i>		0.0%	-0.9%	-1.4%	-0.7%	-0.7%	
Rigel - Large Growth (MDP)	0.2	4.7%	12.0%	-.-%	-.-%	12.1%	12/03
<i>Custom Benchmark</i>		3.0%	5.3%	-.-%	-.-%	5.8%	
<i>Value Added</i>		1.8%	6.8%	-.-%	-.-%	6.3%	
<i>Performance Objective</i>		3.5%	7.3%	-.-%	-.-%	7.8%	
<i>Value Added</i>		1.3%	4.8%	-.-%	-.-%	4.3%	
Smith Graham (MDP)	0.2	2.2%	7.0%	12.3%	-.-%	12.5%	9/02
<i>Custom Benchmark</i>		3.0%	5.3%	14.5%	-.-%	16.1%	
<i>Value Added</i>		-0.8%	1.7%	-2.2%	-.-%	-3.6%	
<i>Performance Objective</i>		3.4%	6.8%	16.0%	-.-%	17.6%	
<i>Value Added</i>		-1.2%	0.2%	-3.7%	-.-%	-5.1%	
Stux (MDP)	0.2	2.0%	7.3%	-.-%	-.-%	8.1%	3/04
<i>Custom Benchmark</i>		2.1%	6.3%	-.-%	-.-%	8.9%	
<i>Value Added</i>		-0.2%	1.0%	-.-%	-.-%	-0.8%	
<i>Performance Objective</i>		2.5%	7.8%	-.-%	-.-%	10.4%	
<i>Value Added</i>		-0.5%	-0.5%	-.-%	-.-%	-2.3%	
Rigel - Small Mid Growth (MDP)	0.1	-1.4%	2.7%	-.-%	-.-%	9.5%	12/03
<i>Custom Benchmark</i>		2.7%	8.2%	-.-%	-.-%	11.3%	
<i>Value Added</i>		-4.1%	-5.5%	-.-%	-.-%	-1.9%	
<i>Performance Objective</i>		3.3%	10.7%	-.-%	-.-%	13.8%	
<i>Value Added</i>		-4.7%	-8.0%	-.-%	-.-%	-4.4%	

External Manager Performance Review (continued)

³⁰ The MDP managers are listed by style elsewhere in this appendix.



Domestic Equity – MDP cont'd³¹

	Market	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic MDP	Value 1.9	1.9%	7.0%	17.0%	3.1%	3.1%	12/00
Total Domestic MDP Ventures	0.0	-1.8%	84.3%	41.6%	-.-%	22.9%	3/01
Denali Advisors (MDP)	0.1	0.0%	11.4%	19.3%	-.-%	5.7%	6/01
<i>Custom Benchmark</i>		1.6%	7.9%	18.3%	-.-%	6.2%	
<i>Value Added</i>		-1.6%	3.4%	1.0%	-.-%	-0.5%	
<i>Performance Objective</i>		2.1%	9.9%	20.3%	-.-%	8.2%	
<i>Value Added</i>		-2.1%	1.4%	-1.0%	-.-%	-2.5%	
Golden Capital - Large Value (MDP)	0.2	1.1%	6.0%	16.2%	5.2%	5.2%	12/00
<i>Custom Benchmark</i>		2.1%	4.9%	14.4%	0.5%	0.5%	
<i>Value Added</i>		-1.0%	1.2%	1.8%	4.7%	4.7%	
<i>Performance Objective</i>		2.6%	6.9%	16.4%	2.5%	2.5%	
<i>Value Added</i>		-1.5%	-0.9%	-0.2%	2.7%	2.7%	
Philippe U.S. Equity (MDP)	0.1	1.6%	1.3%	-.-%	-.-%	7.2%	9/04
<i>Custom Benchmark</i>		2.1%	6.3%	-.-%	-.-%	13.1%	
<i>Value Added</i>		-0.6%	-5.0%	-.-%	-.-%	-5.9%	
<i>Performance Objective</i>		2.4%	7.5%	-.-%	-.-%	14.4%	
<i>Value Added</i>		-0.9%	-6.3%	-.-%	-.-%	-7.2%	
Shenandoah (MDP)	0.1	1.4%	9.1%	21.7%	-.-%	10.2%	3/01
<i>Custom Benchmark</i>		3.3%	12.6%	21.1%	-.-%	11.7%	
<i>Value Added</i>		-1.9%	-3.5%	0.6%	-.-%	-1.5%	
<i>Performance Objective</i>		3.8%	14.6%	23.1%	-.-%	13.7%	
<i>Value Added</i>		-2.4%	-5.5%	-1.4%	-.-%	-3.5%	
Shenandoah SMID (MDP)	0.0	-.-%	-.-%	-.-%	-.-%	-.-%	12/05
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Smith Asset Small Cap (MDP)	0.1	2.2%	9.3%	-.-%	-.-%	15.7%	12/03
<i>Custom Benchmark</i>		1.1%	4.6%	-.-%	-.-%	11.2%	
<i>Value Added</i>		1.1%	4.7%	-.-%	-.-%	4.4%	
<i>Performance Objective</i>		1.8%	7.1%	-.-%	-.-%	13.7%	
<i>Value Added</i>		0.5%	2.2%	-.-%	-.-%	1.9%	
Timeless (MDP)	0.2	2.2%	0.6%	17.3%	-.-%	18.8%	9/02
<i>Custom Benchmark</i>		1.1%	4.6%	22.1%	-.-%	22.5%	
<i>Value Added</i>		1.1%	-3.9%	-4.9%	-.-%	-3.7%	
<i>Performance Objective</i>		1.8%	7.1%	24.6%	-.-%	25.0%	
<i>Value Added</i>		0.4%	-6.4%	-7.4%	-.-%	-6.2%	

³¹ The MDP managers are listed by style elsewhere in this appendix.



External Manager Performance Review (continued)

Domestic Equity – Corporate Governance

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic Corporate Governance	1.6	1.9%	12.0%	22.6%	15.0%	22.4%	12/98
Internal Relational	0.4	3.4%	25.2%	30.8%	-.-%	30.8%	12/02
<i>Custom Benchmark</i>		2.3%	6.1%	15.7%	-.-%		
<i>Value Added</i>		1.2%	19.1%	15.0%	-.-%		
Relational Investors	1.1	0.4%	9.9%	21.7%	14.4%	21.9%	12/98
<i>Custom Benchmark</i>		2.1%	4.9%	14.4%	0.5%		
<i>Value Added</i>		-1.7%	5.0%	7.3%	13.8%		
Shamrock Partners	0.1	21.9%	-.-%	-.-%	-.-%	27.2%	3/05
<i>Custom Benchmark</i>		1.1%	-.-%	-.-%	-.-%		
<i>Value Added</i>		20.8%	-.-%	-.-%	-.-%		
Blum Strategic Partners III	0.0	4.3%	-.-%	-.-%	-.-%	4.3%	9/05
<i>Custom Benchmark</i>		1.9%	-.-%	-.-%	-.-%		
<i>Value Added</i>		2.4%	-.-%	-.-%	-.-%		



External Manager Performance Review (continued)

International Equity – Core ACWI

Int'l Active Mainstream	Market Value 8.0	Qtr 4.4%	1 Year 17.3%	3 Year 23.8%	5 Year 4.9%	Incept. 7.1%	Date 6/89
Int'l External Core							
Arrowstreet (Mainstream)	0.8	1.5%	16.8%	-.-%	-.-%	31.0%	3/03
<i>Custom Benchmark</i>		4.4%	16.4%	-.-%	-.-%	32.0%	
<i>Value Added</i>		-2.9%	0.4%	-.-%	-.-%	-1.0%	
<i>Performance Objective</i>		4.9%	18.4%	-.-%	-.-%	34.0%	
<i>Value Added</i>		-3.4%	-1.6%	-.-%	-.-%	-3.0%	
Arrowstreet (MDP)	0.1	1.4%	16.7%	25.9%	8.6%	5.7%	6/00
<i>Custom Benchmark</i>		4.4%	16.4%	25.7%	6.3%	3.2%	
<i>Value Added</i>		-3.0%	0.3%	0.2%	2.3%	2.5%	
<i>Performance Objective</i>		4.9%	18.4%	27.7%	8.3%	5.2%	
<i>Value Added</i>		-3.5%	-1.7%	-1.8%	0.3%	0.5%	
Barclays	1.1	3.6%	-.-%	-.-%	-.-%	3.6%	9/05
<i>Custom Benchmark</i>		3.9%	-.-%	-.-%	-.-%	3.9%	
<i>Value Added</i>		-0.3%	-.-%	-.-%	-.-%	-0.3%	
<i>Performance Objective</i>		4.2%	-.-%	-.-%	-.-%	4.2%	
<i>Value Added</i>		-0.7%	-.-%	-.-%	-.-%	-0.7%	
Robeco USA	0.5	5.8%	18.4%	24.0%	-.-%	13.9%	9/01
<i>Custom Benchmark</i>		4.4%	16.4%	25.7%	-.-%	15.3%	
<i>Value Added</i>		1.3%	2.0%	-1.7%	-.-%	-1.4%	
<i>Performance Objective</i>		4.9%	18.4%	27.7%	-.-%	17.3%	
<i>Value Added</i>		0.8%	-0.1%	-3.7%	-.-%	-3.4%	
Acadian Asset Management	1.0	-.-%	-.-%	-.-%	-.-%	-.-%	12/05
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
AQR Capital Management	1.0	-.-%	-.-%	-.-%	-.-%	-.-%	12/05
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
Baring Int'l Investments	0.9	-.-%	-.-%	-.-%	-.-%	-.-%	12/05
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Performance Objective</i>		-.-%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%	



External Manager Performance Review (continued)
International Equity – Core Europe

Int'l Active Mainstream	Market Value 8.0	Qtr 4.4%	1 Year 17.3%	3 Year 23.8%	5 Year 4.9%	Incept. 7.1%	Date 6/89
Int'l External Core Europe							
AXA Rosenberg	1.0	3.1%	14.2%	26.3%	-.-%	9.8%	3/01
Custom Benchmark		2.2%	9.9%	22.8%	-.-%	7.9%	
Value Added		1.0%	4.3%	3.5%	-.-%	1.9%	
Performance Objective		2.7%	11.9%	24.8%	-.-%	9.9%	
Value Added		0.5%	2.3%	1.5%	-.-%	-0.1%	
Capital Guardian	0.57	2.7%	10.3%	21.4%	-.-%	8.2%	3/01
Custom Benchmark		2.2%	9.9%	22.8%	-.-%	7.9%	
Value Added		0.6%	0.4%	-1.4%	-.-%	0.3%	
Performance Objective		2.7%	11.9%	24.8%	-.-%	9.9%	
Value Added		0.1%	-1.6%	-3.4%	-.-%	-1.7%	



External Manager Performance Review (continued)

International Equity – Growth & Value

Int'l Active Mainstream	Market Value 8.0	Qtr 4.4%	1 Year 17.3%	3 Year 23.8%	5 Year 4.9%	Incept. 7.1%	Date 6/89
Int'l External Growth							
Alliance Large Cap Growth	0.3	6.1%	-.-%	-.-%	-.-%	6.1%	9/05
Custom Benchmark		4.4%	-.-%	-.-%	-.-%	4.4%	
Value Added		1.7%	-.-%	-.-%	-.-%	1.7%	
Performance Objective		4.9%	-.-%	-.-%	-.-%	4.9%	
Value Added		1.2%	-.-%	-.-%	-.-%	1.2%	
New Star Institutional Managers	0.5	2.6%	-.-%	-.-%	-.-%	2.6%	9/05
Custom Benchmark		4.4%	-.-%	-.-%	-.-%	4.4%	
Value Added		-1.8%	-.-%	-.-%	-.-%	-1.8%	
Performance Objective		4.9%	-.-%	-.-%	-.-%	4.9%	
Value Added		-2.3%	-.-%	-.-%	-.-%	-2.3%	
Baillie Gifford	0.9	4.6%	25.2%	26.4%	-.-%	10.9%	6/01
Custom Benchmark		4.4%	16.4%	25.7%	-.-%	10.4%	
Value Added		0.1%	8.8%	0.7%	-.-%	0.5%	
Performance Objective		4.9%	18.4%	27.7%	-.-%	12.4%	
Value Added		-0.4%	6.8%	-1.3%	-.-%	-1.5%	



External Manager Performance Review (continued)
International Equity – Growth & Value cont'd

Int'l Active Mainstream	Market Value 8.0	Qtr 4.4%	1 Year 17.3%	3 Year 23.8%	5 Year 4.9%	Incept. 7.1%	Date 6/89
Int'l External Value ACWI							
Grantham, Mayo, Van Otterloo	0.9	3.8%	13.4%	25.8%	-.%	13.9%	6/01
Custom Benchmark		4.4%	16.4%	25.7%	-.%	10.4%	
Value Added		-0.7%	-3.1%	0.2%	-.%	3.5%	
Performance Objective		5.0%	18.9%	28.1%	-.%	12.8%	
Value Added		-1.3%	-5.5%	-2.3%	-.%	1.1%	
Northroad (MDP)	0.2	3.6%	10.1%	-.%	-.%	11.7%	12/03
Custom Benchmark		3.9%	14.7%	-.%	-.%	17.8%	
Value Added		-0.3%	-4.5%	-.%	-.%	-6.0%	
Performance Objective		4.4%	16.7%	-.%	-.%	19.8%	
Value Added		-0.8%	-6.5%	-.%	-.%	-8.0%	
Pyrford (MDP)	0.2	1.9%	8.8%	19.5%	-.%	10.6%	12/01
Custom Benchmark		3.9%	14.7%	24.8%	-.%	13.4%	
Value Added		-2.0%	-5.8%	-5.3%	-.%	-2.8%	
Performance Objective		4.4%	16.7%	26.8%	-.%	15.4%	
Value Added		-2.5%	-7.8%	-7.3%	-.%	-4.8%	
Alliance Strategic Value	0.5	5.1%	-.%	-.%	-.%	5.1%	9/05
Custom Benchmark		4.4%	-.%	-.%	-.%	4.4%	
Value Added		0.7%	-.%	-.%	-.%	0.7%	
Performance Objective		4.9%	-.%	-.%	-.%	4.9%	
Value Added		0.2%	-.%	-.%	-.%	0.2%	
Int'l External Value Pacific							
Nomura	1.0	8.7%	24.5%	27.8%	9.6%	4.9%	9/89
Custom Benchmark		8.5%	23.9%	27.1%	7.8%	0.6%	
Value Added		0.2%	0.6%	0.7%	1.8%	4.3%	
Performance Objective		9.0%	25.9%	29.1%	9.8%	2.6%	
Value Added		-0.3%	-1.4%	-1.3%	-0.2%	2.3%	



External Manager Performance Review (continued)
International Equity – MDP³²

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Int'l MDP	0.5	2.7%	11.0%	19.9%	3.5%	1.2%	6/00
Total Int'l MDP Ventures	0.0	0.0%	74.1%	55.6%	28.6%	23.0%	6/00
Arrowstreet (MDP)	0.1	1.4%	16.7%	25.9%	8.6%	5.7%	6/00
<i>Custom Benchmark</i>		4.4%	16.4%	25.7%	6.3%	3.2%	
<i>Value Added</i>		-3.0%	0.3%	0.2%	2.3%	2.5%	
<i>Performance Objective</i>		4.9%	18.4%	27.7%	8.3%	5.2%	
<i>Value Added</i>		-3.5%	-1.7%	-1.8%	0.3%	0.5%	
Northroad (MDP)	0.2	3.6%	10.1%	-.%	-.%	11.7%	12/03
<i>Custom Benchmark</i>		3.9%	14.7%	-.%	-.%	17.8%	
<i>Value Added</i>		-0.3%	-4.5%	-.%	-.%	-6.0%	
<i>Performance Objective</i>		4.4%	16.7%	-.%	-.%	19.8%	
<i>Value Added</i>		-0.8%	-6.5%	-.%	-.%	-8.0%	
Pyrford (MDP)	0.2	1.9%	8.8%	19.5%	-.%	10.6%	12/01
<i>Custom Benchmark</i>		3.9%	14.7%	24.8%	-.%	13.4%	
<i>Value Added</i>		-2.0%	-5.8%	-5.3%	-.%	-2.8%	
<i>Performance Objective</i>		4.4%	16.7%	26.8%	-.%	15.4%	
<i>Value Added</i>		-2.5%	-7.8%	-7.3%	-.%	-4.8%	

³² The MDP managers are also listed by style elsewhere in this appendix.



International Equity – Emerging Markets

Int'l Emerging Markets	Market Value 4.7	Qtr 6.4%	1 Year 34.4%	3 Year 41.5%	5 Year -.-%	Incept. 41.8%	Date 9/02
AllianceBernstein	1.6	5.0%	34.8%	46.4%	-.-%	36.4%	9/02
Custom Benchmark		8.5%	33.6%	37.4%	-.-%	27.4%	
Value Added		-3.5%	1.2%	8.9%	-.-%	9.0%	
Performance Objective		9.1%	36.1%	39.9%	-.-%	29.9%	
Value Added		-4.1%	-1.3%	6.4%	-.-%	6.5%	
DFA	1.7	7.3%	32.4%	41.2%	-.-%	29.9%	9/02
Custom Benchmark		8.5%	33.6%	37.4%	-.-%	27.4%	
Value Added		-1.2%	-1.2%	3.8%	-.-%	2.5%	
Performance Objective		9.0%	35.6%	39.4%	-.-%	29.4%	
Value Added		-1.7%	-3.2%	1.8%	-.-%	0.5%	
Genesis	1.4	6.9%	36.5%	37.5%	-.-%	26.4%	9/02
Custom Benchmark		8.5%	33.6%	37.4%	-.-%	27.4%	
Value Added		-1.5%	2.9%	0.1%	-.-%	-1.0%	
Performance Objective		9.1%	36.1%	39.9%	-.-%	29.9%	
Value Added		-2.1%	0.4%	-2.4%	-.-%	-3.5%	



External Manager Performance Review (continued)
International Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Int'l Corporate Governance	2.2	9.0%	29.5%	34.3%	13.1%	11.8%	12/98
Active Value	0.2	4.3%	37.6%	30.7%	14.2%	11.3%	9/98
Custom Benchmark		10.6%	20.7%	35.0%	13.5%		
Value Added		-6.3%	16.9%	-4.4%	0.7%		
Active Value Co-Investment	0.1	-12.8%	-18.6%	39.5%	15.0%	14.0%	6/00
Custom Benchmark		10.6%	20.7%	35.0%	13.5%		
Value Added		-23.4%	-39.3%	4.4%	1.5%		
Hermes Focus	0.3	-2.8%	0.6%	25.4%	6.5%	5.4%	12/99
Custom Benchmark		4.3%	13.9%	22.8%	6.0%		
Value Added		-7.0%	-13.4%	2.6%	0.5%		
Hermes Europe	0.2	3.3%	17.1%	-.%	-.%	27.1%	9/03
Custom Benchmark		3.1%	11.0%	-.%	-.%		
Value Added		0.3%	6.1%	-.%	-.%		
Knight Vinke	0.2	8.3%	28.1%	-.%	-.%	26.4%	12/03
Custom Benchmark		2.2%	10.8%	-.%	-.%		
Value Added		6.1%	17.3%	-.%	-.%		
SPARX Value Creation	0.7	14.5%	42.3%	-.%	-.%	45.9%	3/03
Custom Benchmark		16.8%	44.3%	-.%	-.%		
Value Added		-2.3%	-2.0%	-.%	-.%		
Taiyo Fund	0.5	19.3%	56.5%	-.%	-.%	34.6%	9/03
Custom Benchmark		16.8%	44.3%	-.%	-.%		
Value Added		2.5%	12.2%	-.%	-.%		



External Manager Performance Review (continued)
Fixed Income – High Yield

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	49.2	1.0%	2.8%	7.3%	7.8%	7.0%
<i>Fixed Income Policy Index</i>		0.3%	2.1%	5.3%	7.2%	6.6%
External High Yield	1.4	0.3%	4.5%	14.3%	-.-%	-.-%
Highland Capital Distressed Fund	0.3	-0.4%	15.0%	28.5%	-.-%	-.-%
<i>Custom Benchmark</i>		0.4%	2.1%	13.4%	-.-%	-.-%
<i>Value Added</i>		-0.8%	12.9%	15.1%	-.-%	-.-%
High Yield Affiliate Accounting	1.1	0.6%	-.-%	-.-%	-.-%	-.-%
<i>Custom Benchmark</i>		1.0%	-.-%	-.-%	-.-%	-.-%
<i>Value Added</i>		-0.4%	-.-%	-.-%	-.-%	-.-%
ING Ghent	0.3	-0.4%	-1.2%	11.0%	-.-%	-.-%
<i>Custom Benchmark</i>		0.4%	2.1%	13.4%	-.-%	-.-%
<i>Value Added</i>		-0.7%	-3.2%	-2.4%	-.-%	-.-%
Nomura	0.5	1.0%	2.0%	13.1%	-.-%	-.-%
<i>Custom Benchmark</i>		0.4%	2.1%	13.4%	-.-%	-.-%
<i>Value Added</i>		0.6%	-0.1%	-0.3%	-.-%	-.-%
PIMCO	0.5	0.8%	2.7%	13.3%	-.-%	-.-%
<i>Custom Benchmark</i>		0.4%	2.1%	13.4%	-.-%	-.-%
<i>Value Added</i>		0.4%	0.6%	-0.1%	-.-%	-.-%

Fixed Income – MDP

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Domestic Fixed Income MDP	0.2	0.3%	1.4%	5.0%	-.-%	7.1%	
LM Capital	0.2	0.3%	1.4%	4.2%	-.-%	6.5%	6/02
<i>Custom Benchmark</i>		0.7%	2.6%	3.7%	-.-%	5.6%	
<i>Value Added</i>		-0.4%	-1.2%	0.5%	-.-%	0.8%	
<i>Performance Objective</i>		0.9%	3.6%	4.7%	-.-%	6.6%	
<i>Value Added</i>		-0.6%	-2.2%	-0.5%	-.-%	-0.2%	



External Manager Performance Review (continued)
Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	49.2	1.0%	2.8%	7.3%	7.8%	7.0%
<i>Fixed Income Policy Index</i>		0.3%	2.1%	5.3%	7.2%	6.6%
International Fixed Income	5.4	-2.5%	-8.5%	7.2%	7.5%	5.0%
Baring	1.0	-2.9%	-9.1%	6.5%	7.3%	5.6%
<i>Custom Benchmark</i>		-2.4%	-8.9%	6.6%	7.3%	4.4%
<i>Value Added</i>		-0.5%	-0.2%	0.0%	-0.1%	1.2%
<i>Performance Objective</i>		-2.0%	-7.4%	8.1%	8.8%	5.9%
<i>Value Added</i>		-0.9%	-1.7%	-1.5%	-1.6%	-0.4%
Bridgewater	1.2	-2.5%	-8.4%	7.0%	7.8%	-.-%
<i>Custom Benchmark</i>		-2.4%	-8.9%	6.6%	7.3%	-.-%
<i>Value Added</i>		-0.1%	0.4%	0.4%	0.5%	-.-%
<i>Performance Objective</i>		-2.0%	-7.4%	8.1%	8.8%	-.-%
<i>Value Added</i>		-0.4%	-1.1%	-1.1%	-1.0%	-.-%
Julius Baer	1.1	-2.6%	-8.4%	7.5%	7.4%	5.2%
<i>Custom Benchmark</i>		-2.4%	-8.9%	6.6%	7.3%	4.5%
<i>Value Added</i>		-0.2%	0.4%	1.0%	0.0%	0.7%
<i>Performance Objective</i>		-2.0%	-7.4%	8.1%	8.8%	6.0%
<i>Value Added</i>		-0.6%	-1.1%	-0.5%	-1.5%	-0.8%
Rogge	1.2	-2.2%	-8.0%	7.6%	7.4%	-.-%
<i>Custom Benchmark</i>		-2.4%	-8.9%	6.6%	7.3%	-.-%
<i>Value Added</i>		0.2%	0.8%	1.1%	0.1%	-.-%
<i>Performance Objective</i>		-2.0%	-7.4%	8.1%	8.8%	-.-%
<i>Value Added</i>		-0.2%	-0.7%	-0.4%	-1.4%	-.-%
Western	0.9	-2.4%	-8.8%	7.5%	7.6%	-.-%
<i>Custom Benchmark</i>		-2.4%	-8.9%	6.6%	7.3%	-.-%
<i>Value Added</i>		0.0%	0.1%	0.9%	0.3%	-.-%
<i>Performance Objective</i>		-2.0%	-7.4%	8.1%	8.8%	-.-%
<i>Value Added</i>		-0.3%	-1.4%	-0.6%	-1.2%	-.-%



Fixed Income - Special Investments

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Special Investments	1.6	0.4%	3.5%	4.6%	6.2%	5.9%
AFL-CIO HIT	0.1	-1.4%	1.9%	3.3%	5.3%	6.4%
Equitable CCMF	0.0	2.8%	9.4%	7.3%	7.8%	8.8%
MHLP-BRS	1.4	0.5%	3.5%	4.7%	-.%	-.%
U.L.L.I. Co.	0.0	1.2%	5.5%	6.1%	8.2%	8.8%



Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

Domestic Equity

JP Morgan

- Underperformance versus benchmark and performance objective over the one and five-year periods. Performance was hindered by unrewarded stock selection especially during 2001 and 2002. Performance has improved during the quarter, though there has been recent personnel change. Wilshire continues to monitor the manager closely and has held several discussions with Staff.

Franklin Advisers

- The manager continues to underperform the benchmark and performance objective. Performance has been hindered by unrewarded stock selection especially during 2004 and 2005. Wilshire has held several discussions with Staff and is monitoring the manager closely. Wilshire plans to visit the manager during the first quarter of 2006 to meet with the portfolio management team.

Int'l Equity

Capital Guardian

- The manager continues to underperform its benchmark and performance objective over the three-year period due to unrewarded stock selection. However, recent performance has improved. Wilshire continues to monitor the manager closely.

Robeco

- Recent performance has improved and the manager is outperforming over the one-year period, though it continues to lag its benchmark and performance objective over the three-year and since inception periods. Wilshire continues to monitor the manager closely.

Grantham, Mayo, Van Otterloo

- This manager is underperforming its benchmark over the one-year period and its performance objective over the one and three-year periods. Performance has been hindered by unrewarded stock selection. Wilshire is closely monitoring the manager.

Int'l Fixed Income

Baring Int'l

- Underperformance versus benchmark and performance objective over the one-, three- and five-year periods. Baring has outperformed over the past ten years and since inception.
- During the quarter, the portfolio's long duration was a drag on performance versus the benchmark.



Manager Monitoring (continued)

Int'l Fixed Income Cont'd

Bridgewater Associates

- High level personnel change with departure of its CEO during 2005. The CEO was not involved in the investment process.
- Bridgewater has underperformed its benchmark over the one-year period but outperformed over all longer time periods.

Western Asset Management

- Significant organization change because of the recent merger with Legg Mason, the parent of Western Asset, and Citigroup's asset management division.
- Western's has outperformed its benchmark over all time periods.

External High Yield

ING Ghent

- Continued underperformance versus benchmark and performance objective despite improving credit profile for many high yield issuers.
- Unrewarded sector and issue selection continues to be a drag on performance.

